

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 3417-07
Bill No.: Truly Agreed to and Finally Passed CCS for SCS for HB 1402
Subject: Political Subdivisions: Telecommunication Utilities
Type: Original
Date: June 12, 2002

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Blind Pension	\$0	(Unknown)	(Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2003	FY 2004	FY 2005
Local Government*	(Unknown)	(Unknown)	(Unknown)

*Expected to exceed \$100,000.

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 8 pages.

FISCAL ANALYSIS

ASSUMPTION

SECTIONS 71.790 AND 392.410 - Operation of Cable Television Systems by Municipalities and Telecommunications Services and Facilities

Officials for the **City of Kansas City** indicated that this part of the proposal would not affect the City because it has no plans to operate a cable television system and it has no telecommunications services or facilities which could be made available to telecommunications providers. They did note that the extension on the prohibition on city-provided telecommunication services would put off for five years the possibility of the City raising revenue by providing those services.

SECTIONS 182.825 TO 182.827 - Internet Screening

Officials from the **Office of State Courts Administrator** and the **Office of the Attorney General** assumed, in response to similar proposals, the proposal would result in no fiscal impact to their agencies.

Officials from the **Missouri River Regional Library** indicated, in response to a similar proposal, there would be no fiscal impact to their library district. They already have a community policy in place that deals with the issue of restricting minors from gaining access to pornographic material.

Officials of the **Secretary of State** stated, in response to a similar proposal, it would not be possible to project a total cost of public libraries to install filtering software. Costs for filtering software vary widely by vendor and type, number of computer stations, and whether the software is installed on each "client" computer workstation or on a central server. The web pages of a sampling of filtering software vendors indicate approximate annual costs in the following ranges: \$150 for a site with 5 computers; \$500 to \$800 for 25 computers; and up to \$2,500 or more for a site with 125 computers. Several large library systems with many branches would have 100 or more computer stations requiring filtering software. Libraries choosing to install the filtering software on a server could also need to purchase suitable equipment for the installation. SOS officials also assume public libraries could have additional staff costs due to the legislation. Staff time required for installation, maintenance, and monitoring of filtering software could be significant.

Oversight assumes that many library districts and school libraries already have filtering devices in place and that many libraries have already implemented community policies that are an option in the proposed legislation.

ASSUMPTION (continued)

Officials from the **Department of Elementary and Secondary Education (DESE)** assume the proposal would result in no direct fiscal impact to DESE. At the local school district level in the year 1999, DESE assumed the following:

- 1) 140,286 computers in Missouri school districts with internet connectivity.
- 2) 42% of districts report using filtering software on 85% of their computers.
- 3) The distribution of these computers across districts is not known.
- 4) Filtering software ranges in cost from \$0 to \$25. Additionally, software prices and capabilities vary according to the target age level.

Given this information, DESE believes the cost of this legislation would be significant, i.e., in excess of \$100,000; however, DESE does not feel there is enough information available to construct a specific estimate.

SECTION 386.887 - Consumer Clean Energy Act

Officials from the **Department of Economic Development - Public Service Commission** and the **Department of Economic Development - Office of Public Counsel** assume the proposed legislation would have no fiscal impact on their agencies.

Officials from the **Department of Social Services** the proposal would have no fiscal impact on their agency.

Officials from the **Department of Natural Resources** assume additional requests for technical assistance from persons and businesses interested in clean energy and how to use net metering would be handled with existing resources.

Officials from the **City of Kansas City** noted that reduced sales of energy would reduce utility taxes that cities having such taxes would collect. **Oversight** also assumes it would reduce sales tax collections in those areas which have reimposed local-option sales taxes on domestic utilities. The magnitude of losses would depend upon the amount of electricity customers generated for their own use.

SECTION 393.310 - Aggregate Purchasing of Natural Gas by Schools

Officials of the **Department of Elementary and Secondary Education**, the **Department of Economic Development - Public Service Commission** and the **Department of Economic Development - Office of the Public Counsel** stated that they would not request additional resources due to this proposal.

ASSUMPTION (continued)

Officials of the **City of Kansas City** would not expect any significant fiscal impact from these

provisions as long as out-of-state suppliers of natural gas comply with current laws.

SECTIONS 393.700 TO 393 770 - Joint Municipal Utility Commission Act

Officials of the **Department of Economic Development's Public Service Commission** and **Office of the Public Counsel** and of the **Department of Natural Resources** stated that the proposal would not significantly affect their agencies.

Oversight notes that political subdivisions would be affected because the property-tax status of properties owned by joint municipal commissions or joint political subdivision commissions would change. Under current law, property owned by these commissions is treated like property by corporate utilities.

Oversight also assumes that the provisions of this proposal could not take effect until a constitutional amendment changing requirements that joint political subdivision commissions be treated as Public Service Commission - regulated corporations passes. Therefore, political subdivisions would not see fiscal impacts FY 2004.

SECTION 1 - Coal-Fired Cyclone Boilers

Officials of the **Department of Natural Resources (DNR)** stated the State Implementation Plan (SIP) for the reduction of VOC emissions in ozone nonattainment areas (St. Louis) and in ozone maintenance areas (Kansas City) would likely be impacted. If the new requirements have fewer emissions reductions, those reductions would have to be made up with new strategies. This could require the state to seek additional air pollutant reductions.

GENERALLY

Officials from the **Secretary of State's Office (SOS)** assume the rules, regulations and forms issued could require as many as 26 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* as in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The actual costs could be more or less the SOS's estimated cost of \$1,599 for FY 2003. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules, filed, amended, rescinded or withdrawn.

Oversight assumes the Secretary of State could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and
ASSUMPTION (continued)

distribution of regulations at substantial costs, the Secretary of State could request funding through the appropriation process. Any decisions to raise fees to defray costs would likely be

made in subsequent fiscal years.

<u>FISCAL IMPACT - State Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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BLIND PENSION FUND

<u>Loss</u> - Property Tax on Joint Commission Properties	\$0	(Unknown)	(Unknown)
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ESTIMATED NET EFFECT ON BLIND PENSION FUND	<u>\$0</u>	<u>(Unknown)</u>	<u>(Unknown)</u>
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<u>FISCAL IMPACT - Local Government</u>	FY 2003 (10 Mo.)	FY 2004	FY 2005
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SCHOOL DISTRICTS

<u>Savings</u> - Reduced Natural Gas Costs	\$0 to Unknown	\$0 to Unknown	\$0 to Unknown
<u>Cost</u> - Internet Access Filtering	(Unknown)	(Unknown)	(Unknown)

PUBLIC LIBRARIES

<u>Cost</u> - Internet Access Filtering	(Unknown)	(Unknown)	(Unknown)
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POLITICAL SUBDIVISIONS

<u>Loss</u> - Utility and Sales Taxes	(Unknown)	(Unknown)	(Unknown)
<u>Loss</u> - Property Tax on Joint Commission Properties	\$0	(Unknown)	(Unknown)

ESTIMATED NET EFFECT ON POLITICAL SUBDIVISIONS*	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>	<u>(UNKNOWN)</u>
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*Estimated to exceed \$100,000 annually

FISCAL IMPACT - Small Business

Small telecommunications and natural gas businesses could be affected competitively by this proposal.

DESCRIPTION

This proposal would extend the August 28, 2002, sunset date for the prohibition against political subdivisions providing or selling telecommunication services that require a certificate of service

authority from the Public Service Commission until August 28, 2007.

Municipal utilities could offer telecommunication facilities or services within their service boundaries on a nondiscriminatory, competitively-neutral basis at a price that covers costs, including imputed costs that a subdivision would incur if it were a for-profit business.

Municipalities could, upon favorable popular vote, own and operate cable television facilities acquired or constructed after August 28, 2002 on a nondiscriminatory, competitively-neutral basis at a price that covers costs, including imputed costs that a subdivision would incur if it were a for-profit business.

The Public Service Commission would annually study the economic impact of provisions concerning municipal ownership of telecommunications and cable television facilities and services and submit a report to the General Assembly by 31 December of each year.

This proposal would require public schools and libraries that provide public access computers to either use filtering software, or to purchase Internet service through a provider that filters material that can be accessed in order to limit access to material that is pornographic for minors.

A public library or school that provides public access computers would be required to do one or both of the following:

- 1) Use filtering software or purchase Internet connectivity from an Internet service provider that provides filter services to limit access to material that is pornographic for minors.
- 2) Develop and implement by January 1, 2003, policies that are consistent with community standard and that establish measures to restrict minors from gaining computer access to material that is pornographic for minors.

The Secretary of State and the Department of Elementary and Secondary Education would be required to establish rules and regulations for the enforcement of these policies.

Any school board member, officer or employee, including library personnel that willfully neglected or refused to comply with the provisions of this proposed legislation would be subject to penalties pursuant to section 162.091, RSMo (a misdemeanor, punishable by a fine not more than \$500 or up to one year in jail). A public school or public school board member, officer or employee, including library personnel who complied with the provisions of the proposal would
DESCRIPTION (continued)

not be liable if a minor gained access to pornographic materials through the use of a public access computer that was owned or controlled by the public school or public library.

This proposal would create the Consumer Clean Energy Act. Retail electric suppliers would, by August 28, 2003, adopt rates, charges, conditions and contract terms for the purchase from and sale of electric energy to customer-generators. The method by which retail electric suppliers are required to calculate the net energy measurement for customer-generators is specified.

Retail electric suppliers would not be required to provide net metering service for additional customer-generators when the generating capacity of customer-generators is equal to or greater than the lesser of 10,000 kilowatts or one-tenth of one percent of peak demand for the preceding calendar year. Retail electric suppliers would maintain and make available to the public certain information regarding the total generating capacity of customer-generators.

Net metering units would meet certain standards, including reasonable standards and requirements established by retail electric suppliers.

Applications by a customer-generator for interconnection would be accompanied by certification from a qualified electrician or engineer that the installation meets all requirements of this proposal. Retail electric suppliers would review and respond to applications within 90 days.

This proposal would allow public school districts to aggregate purchases natural gas through a not-for-profit school association. Missouri gas corporations would file a set of small volume transportation schedules or tariffs applicable to public school districts by August 1, 2002. The proposal would establish requirements for the schedules filed with the Public Service Commission.

This proposal would remove joint municipal utility commissions from being considered as corporations subject to oversight by the Missouri Public Service Commission.

It would allow joint municipal utility commissions to issue bonds and sell them at public or private sales at prices determined by the commissions. All property acquired as a result of the bonds, except for properties acquired exclusively for water supply districts, would be taxed as if it was directly owned by the municipality in proportion to the municipality's interest or participation in the property.

This proposal would also require power plants with coal-fired cyclone boilers that also burn tire-derived fuel to limit nitrogen oxide emissions to 80% of the emissions limit required by federal law. This provision expires on April 30, 2004, or upon revision of the pertinent state regulation, whichever occurs later.

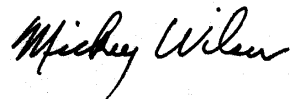
DESCRIPTION (continued)

This aggregate natural gas purchasing parts of this proposal contain an emergency clause and would terminate on June 1, 2005.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space. This legislation would not affect Total State Revenue.

SOURCES OF INFORMATION

Department of Economic Development
Public Service Commission
Office of the Public Counsel
Department of Natural Resources
Department of Elementary and Secondary Education
Secretary of State
City of Kansas City

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Acting Director
June 12, 2002